

(H. B. 2665)

(No. 91)

(Approved May 13, 2006)

AN ACT

To create the Urgent Interest Fund (UIF), to be attached to the Department of the Treasury, to provide for its capitalization, and to define the purpose and use thereof; and for other purposes.

STATEMENT OF MOTIVES

During the past decades, the Government of Puerto Rico has been contracting debts to finance its operation without succeeding in identifying effective methods for their repayment. The current amounts of this extraconstitutional debt have substantially affected government credit. This situation turned more severe during fiscal year 2005-2006, when government expenses once again surpassed revenues, thus creating the government crisis that afflicts the Island at present and which led to layoffs for over 95,000 government employees.

In order to address said situation and as part of a number of legislative measures approved to dispel said crisis, the Urgent Interest Fund is hereby created as a special fund, the moneys of which shall be used to cover the deficit thus generated, as well as other government obligations and debts that seriously affect the credit of the Government of Puerto Rico.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.—Title.—

This Act shall be known as the “Urgent Interest Fund Act.”

Section 2.—Creation.—

The Urgent Interest Fund (UIF) is hereby created, to be administered by the Government Development Bank for Puerto Rico and the Secretary of the Treasury and replenished monthly by the following sources:

(a) A sum equal to the product of the monthly collection of the sales tax to be approved as part of the Tax Reform, multiplied by a fraction whose numerator shall be one percent (1%) and whose denominator shall be the tax rate of said tax.

(b) The revenues generated by the sales tax provided by the Tax Reform to be approved pursuant to Joint Resolution No. 321 of November 21, 2005, which exceed the estimate of annual revenues to be generated by said tax in the Budget Resolution for each fiscal year.

Section 3.—Use.—

(a) The moneys originating from the collections indicated in Section 2(a) shall be deposited into the Urgent Interest Fund and shall be used exclusively for the following purposes:

(1) To pay the advances to be made by the Government Development Bank pursuant to the Act to Impose the Supertax of 2006.

(2) To pay or refinance the extraconstitutional debt in existence as of June 30, 2006.

(b) The moneys originating from the revenues indicated in Section 2(b) shall be deposited into the Urgent Interest Fund and shall be used exclusively for the following purposes:

(1) To cover the costs of early retirement plans of the Retirement Systems of the Employees of the Commonwealth.

(2) To service the debt in existence as of June 30, 2006, with the Teachers' Retirement System and the Retirement System of the Employees of the Commonwealth and the Judiciary, in said order of preference.

Section 4.—Disbursements.—

The disbursements to be made to cover the purposes described in Section 3(b) shall be distributed through a Joint Resolution approved by the Legislature. Any amount not used for the purposes established through said Resolution shall revert to the Urgent Interest Fund; provided, further, that any amount of the moneys budgeted for servicing the debt that are payable to the General Fund, shall be kept separate from the moneys originating from the Urgent Interest Fund and to be used for the payment of the extraconstitutional debt.

Any savings resulting from refinancing the constitutional debt may be transferred by the Government Development Bank to the Urgent Interest Fund to be used as additional resources in the payment of the extraconstitutional debt.

Section 5.—Additional Provisions.—

The Legislature hereby commits to approving an expenses budget for fiscal year 2006-2007 that will allow the government to keep public servants in regular employment at their jobs and that will ensure the nonimpairment of the continuity in the direct services provided to citizens. This includes the approval of legislation that shall provide recurring funds for an amount estimated to be not less than three hundred million (300,000,000) dollars and not more than four hundred million (400,000,000) dollars in addition to the revenues of the State under the current tax system, in order to tend to the structural budget deficit.

Periodically, the Legislature shall evaluate the effectiveness of the collections generated under the tax measures established to constitute the Urgent Interest Fund; provided, that once the structural budget deficit has been remedied, the use of said additional recurring funds for a purpose other than tending to the structural budget deficit, shall be transferred in its entirety to the two retirement systems, in proportion to the number of their participants.

Likewise, the Government shall generate annual savings in an amount of not less than three hundred fifty million (350,000,000) dollars during the next three (3) years.

Section 6.—Effectiveness.—

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 91 (H.B. 2665) of the 3rd Session of the 15th Legislature of Puerto Rico:

AN ACT to create the Urgent Interest Fund (UIF), to be attached to the Department of the Treasury, to provide for its capitalization, and to define the purpose and use thereof; and for other purposes,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 22nd of May of 2006.

Francisco J. Domenech
Director